

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type [] City [X] Township [] Village [] Other		Local Government Name Carrollton Township	County Saginaw
Audit Date March 31, 2005	Opinion Date September 8, 2005	Date Accountant Report Submitted to State: September 11, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- [] Yes [X] No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- [] Yes [X] No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- [X] Yes [] No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- [] Yes [X] No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- [] Yes [X] No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- [] Yes [X] No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- [] Yes [X] No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- [] Yes [X] No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- [] Yes [X] No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

Carrollton Township
Saginaw County, Michigan

Financial Statements

For the Year Ended March 31, 2005

CARROLLTON TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

September 8, 2005

To the Township Board
Carrollton Township
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Carrollton Township**, as of and for the year ended March 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Carrollton Township**, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Fire, Police, and Garbage/Rubbish Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005, on our consideration of ***Carrollton Township's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Carrollton Township's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

Management's Discussion and Analysis

As management of *Carrollton Township, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$10,228,099 (*net assets*). Of this amount, \$4,219,374 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$546,976.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,238,288, an increase of \$86,980 in comparison with the prior year. More than three quarters of this total amount, or \$2,823,253, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$937,118, or 94 percent of total general fund expenditures.
- The Township's total debt decreased by \$352,592 during the current fiscal year as a result of annual debt service requirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and parks and recreation. The business-type activities of the Township include sewer and water operations.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire, police, and garbage/rubbish funds, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary funds. The Township maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-47 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 48-59 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Carrollton Township, assets exceeded liabilities by \$10,228,099 at the close of the most recent fiscal year.

One of the largest portions of the Township's net assets (43 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carrollton Township's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 3,412,274	\$ 3,545,790	\$ 2,501,850	\$ 2,727,335	\$ 5,914,124	\$ 6,273,125
Capital assets	<u>549,250</u>	<u>580,082</u>	<u>9,781,333</u>	<u>9,692,733</u>	<u>10,330,583</u>	<u>10,272,815</u>
Total assets	<u>3,961,524</u>	<u>4,125,872</u>	<u>12,283,183</u>	<u>12,420,068</u>	<u>16,244,707</u>	<u>16,545,940</u>
Long-term liabilities						
outstanding	65,127	100,887	6,168,843	5,847,425	6,233,970	5,948,312
Other liabilities	<u>170,285</u>	<u>215,726</u>	<u>159,331</u>	<u>153,803</u>	<u>329,616</u>	<u>369,529</u>
Total liabilities	<u>235,412</u>	<u>316,613</u>	<u>6,328,174</u>	<u>6,001,228</u>	<u>6,563,586</u>	<u>6,317,841</u>
Net assets:						
Invested in capital						
assets, net of						
related debt	545,004	580,082	3,612,490	3,845,308	4,157,494	4,425,390
Restricted	46,125	51,357	1,226,483	1,531,978	1,272,608	1,583,335
Unrestricted	<u>3,138,102</u>	<u>3,177,820</u>	<u>1,112,917</u>	<u>1,041,554</u>	<u>4,251,019</u>	<u>4,219,374</u>
Total net assets	<u>\$ 3,729,231</u>	<u>\$ 3,809,259</u>	<u>\$ 5,595,189</u>	<u>\$ 6,418,840</u>	<u>\$ 9,681,121</u>	<u>\$ 10,228,099</u>

An additional portion of the Township's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (42 percent or \$4,219,374) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's restricted net assets increased by \$310,727 during the current fiscal year. This growth reflects the Township's desire to build up designated reserves for major utility capital improvements.

The Township's net assets increased by \$546,976 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

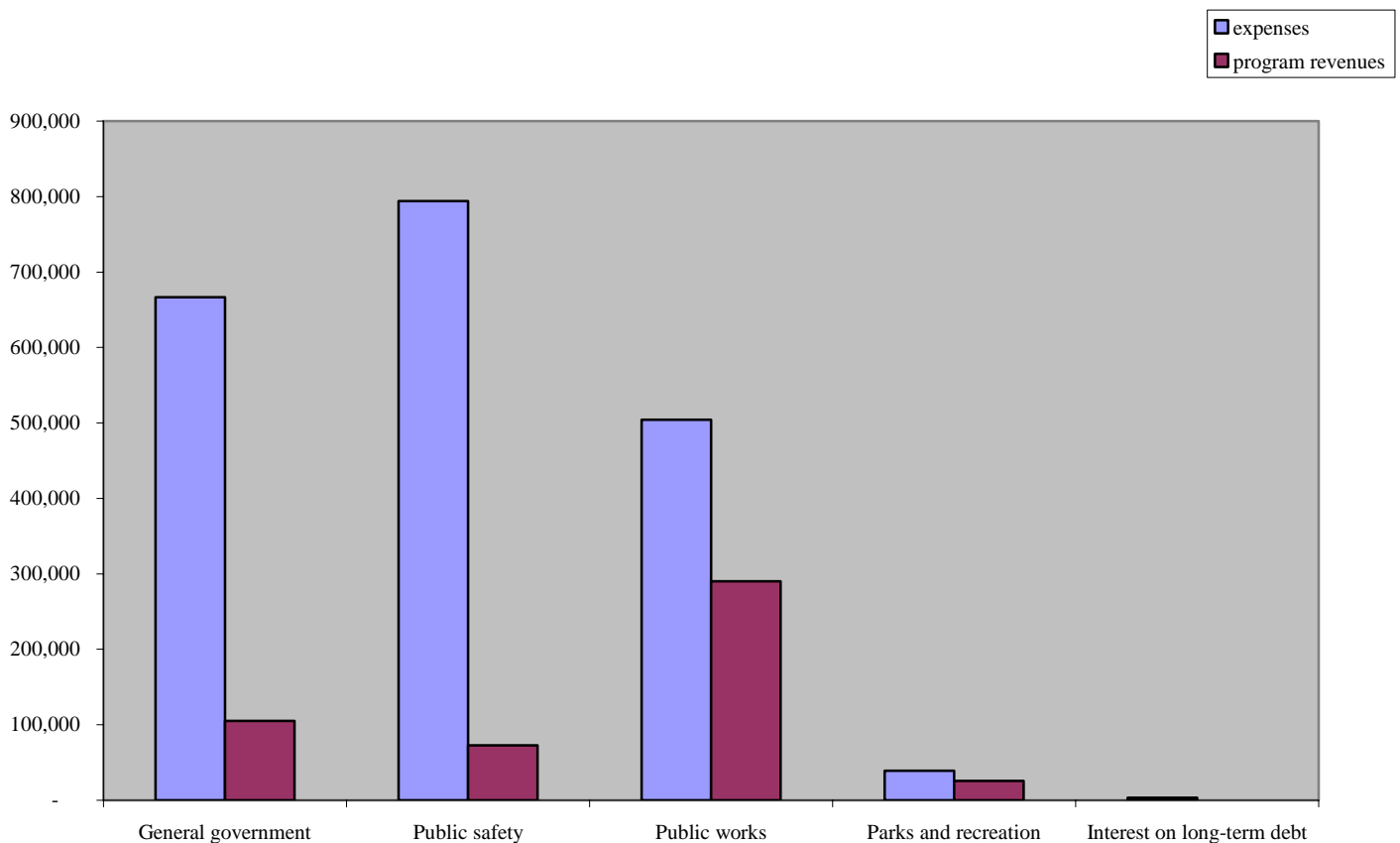
Carrollton Township's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue:						
Program revenue:						
Charges for services	\$ 409,654	\$ 453,294	\$ 1,509,296	\$ 1,654,049	\$ 1,918,951	\$ 2,107,343
Operating grants and contributions	57,496	38,637	-	-	57,496	38,637
Capital grants and contributions	1,754	1,507	2,659	43,733	4,413	45,240
General revenue:						
Property taxes	798,467	829,997	384,933	401,251	1,183,400	1,231,248
Grants and contrib. not restricted to specific programs	690,061	673,809	-	-	690,061	673,809
Other	<u>48,658</u>	<u>89,854</u>	<u>25,092</u>	<u>39,855</u>	<u>73,750</u>	<u>129,709</u>
Total revenue	<u>2,006,090</u>	<u>2,087,098</u>	<u>1,921,980</u>	<u>2,138,888</u>	<u>3,928,070</u>	<u>4,225,986</u>
Expenses:						
General government	605,962	666,511	-	-	605,962	666,511
Public safety	740,719	793,815	-	-	740,719	793,815
Public works	478,608	504,280	-	-	478,608	504,280
Parks and recreation	24,236	39,033	-	-	24,236	39,033
Interest on long-term debt	4,776	3,433	-	-	4,776	3,433
Sewer	-	-	731,515	820,419	731,515	820,419
Water	-	-	893,194	851,519	893,194	851,519
Total liabilities	<u>1,854,301</u>	<u>2,007,072</u>	<u>1,624,709</u>	<u>1,671,938</u>	<u>3,479,010</u>	<u>3,679,010</u>
Increase (decrease) in net assets	151,789	80,026	297,271	466,950	449,060	546,976
Net assets – beginning of year	<u>3,574,323</u>	<u>3,729,233</u>	<u>5,657,738</u>	<u>5,951,890</u>	<u>9,232,061</u>	<u>9,681,123</u>
Total net assets	<u>\$ 3,726,112</u>	<u>\$ 3,809,259</u>	<u>\$ 5,955,009</u>	<u>\$ 6,418,840</u>	<u>\$ 9,681,121</u>	<u>\$ 10,228,099</u>

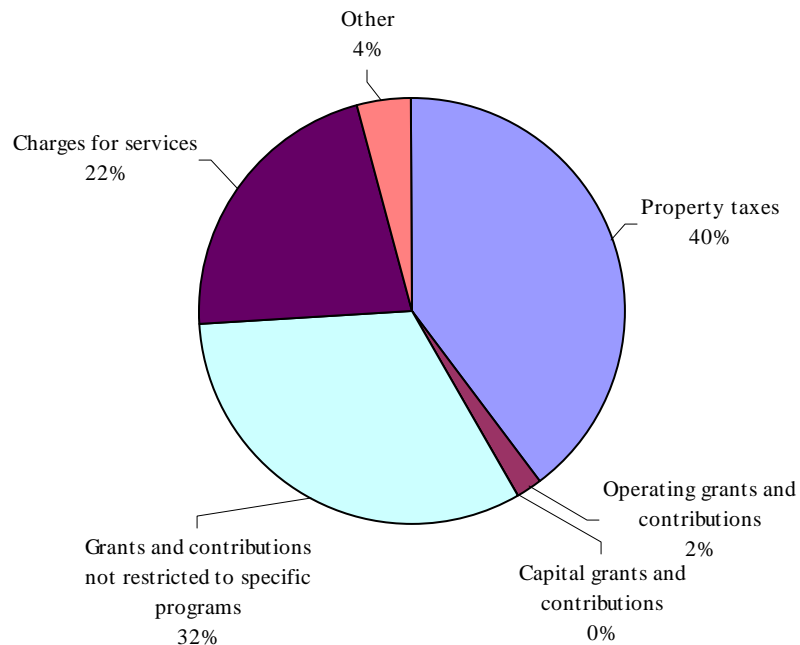
Governmental activities. Governmental activities increased the Township's net assets by \$80,026, which combined with the growth in the business-type activities resulted in growth in the net assets of the Township. Key elements of this increase are as follows:

- Property taxes increased by approximately \$40,530 (5.13 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.
- The Township expenses were under anticipated revenues as a result of the Township's decreased participation in road construction projects with the Saginaw County Road Commission (\$198,927), a decrease in the Township's Drain-at-Large burden (\$10,400), postponement of: installation of a Carla Drive traffic light (\$36,800), municipal building and grounds repair and maintenance (\$47,748), computer systems upgrades (\$11,354), park repair and maintenance (\$4,500), general township maintenance (\$8,472), a decrease for the Planning Commission (\$5,266) due to fewer meetings and no training expense, and a decrease for General Government (\$13,338) due to lower legal expense. These decreases in planned expenditures total \$336,805 (25.93%). The exceptions to this are significant increases in expenses that reflect current inflation and increased demand for services.

Expenses and Program Revenues - Governmental Activities



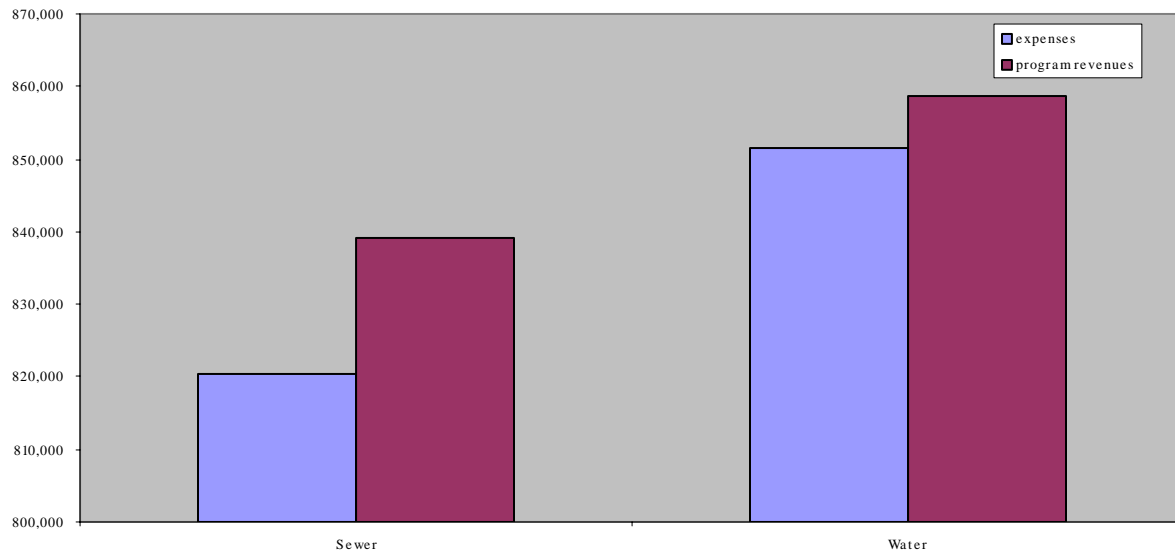
Revenues by Source - Governmental Activities



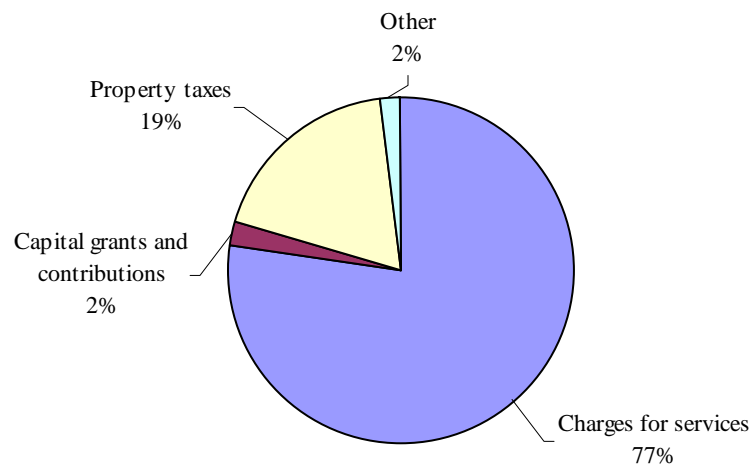
Business-type activities. Business-type activities increased the Township's net assets by \$466,950, combined with the increase in the governmental activities resulted in growth in the total net assets of the Township. Key elements of this increase are as follows:

- Expenses remained constant while charges for services increased \$142,732 (9.7 percent) due to rate increases.
- Property taxes increased by \$16,318 (4.24 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,238,288, a decrease of \$86,980 in comparison with the prior year. Approximately three-quarters of this total amount (\$2.82 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$47,159), 2) to pay for specific capital projects (\$175,519), 3) for budget stabilization (\$53,131), 4) for prepaid items (\$87,869), or 5) a variety of other restricted purposes (\$51,357).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$937,118, while total fund balance was \$1,252,335. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 100 percent of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$21,479 during the current fiscal year. This is primarily attributable to an increase in expenses related to assessing, code enforcement, tractor purchase, computer systems upgrade, and personnel expenses.

The fire fund has a total fund balance of \$837,118, which increased by \$94,108 during the year. Original budget estimates anticipated a small increase in fund balance because most revenues were to be expended; however, this did not materialize due to reduced need for repairs and maintenance and capital asset replacement.

The police fund had a modest increase in fund balance for the current year of \$9,378, to an ending total of \$822,237. Original budget estimates anticipated a decrease in fund balance because all revenues were to be expended. This increase was the result of the lack of capital asset purchases.

The garbage/rubbish fund has a total fund balance of \$276,028, which increased by \$15,357 during the year. The increase is attributable to the reduced contractual service costs as a result of reduced haul costs and the sale of recycled products.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$497,429 and \$544,125, respectively. The sewer fund had an increase of \$28,239, and the water fund had an increase of \$438,711 in net assets for the year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The difference between the original and final amended budgets for expenditures was an increase of \$83,196. Amendments were needed for a tractor purchase (\$17,082), assessing (\$5,000), personnel group benefits (\$7,810) and computer systems upgrade (\$45,256).

During the year, general fund revenues were more than the budgetary estimates and expenditures were less than budgetary estimates, resulting in an actual increase in fund balance that exceeded the final amended budget amount by approximately \$359,749.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of March 31, 2005, amounted to \$10,272,815 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total decrease in the Township's investment in capital assets for the current fiscal year was .56 percent (a 105.61 percent increase for governmental activities and a .01 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Various equipment and vehicles have been purchased in the general fund (\$129,417), fire fund (\$2,740), police fund (\$38,504), and sewer and water funds (\$208,065).

Carrollton Township's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 59,035	\$ 59,035	\$ 1,000	\$ 1,000	\$ 60,035	\$ 60,035
Buildings and systems	184,532	182,115	9,617,071	9,461,823	9,801,603	9,643,938
Vehicles	159,719	144,163	79,250	75,317	238,969	219,480
Equipment	145,966	194,769	69,041	101,548	215,007	296,317
Construction in progress	-	-	14,970	53,045	14,970	53,045
Total net assets	<u>\$ 549,252</u>	<u>\$ 580,082</u>	<u>\$ 9,781,332</u>	<u>\$ 9,692,733</u>	<u>\$ 10,330,584</u>	<u>\$ 10,272,815</u>

Additional information on the Township's capital assets can be found in note 5 on pages 38-40 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt outstanding of \$5,948,312. Of this amount, \$1,025,000 comprises debt backed by the full faith and credit of the government. The remainder of the Township's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Carrollton Township's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
General obligation bonds and installment contracts	\$ 65,127	\$ 100,887	\$ -	\$ -	\$ 65,127	\$ 100,887
Revenue bonds and installment contracts	-	-	6,168,843	5,847,425	6,168,843	5,847,425
Total net assets	<u>\$ 65,127</u>	<u>\$ 100,887</u>	<u>\$ 6,168,843</u>	<u>\$ 5,847,425</u>	<u>\$ 6,233,970</u>	<u>\$ 5,948,312</u>

The Township's total debt decreased by \$352,592 (5.39 percent) during the current fiscal year, with debt service being the only changes during the current fiscal year.

The Township issues debt through the Saginaw County Public Works Commission and uses their Standard and Poor's rating. The County's rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Township is \$9,923,425, which is significantly in excess of the Township's outstanding general obligation debt.

Additional information on the Township's long-term debt can be found in note 8 on pages 41-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2005-06 fiscal year:

- The February 2005 unemployment rate for the Saginaw-Bay City-Midland metropolitan area (the Township is in the Saginaw area) was 9.3 percent, which is an increase from a rate of 9.1 percent a year ago. This was higher than the state's February 2005 average unemployment rate of 7.4 percent and the national average rate of 5.4 percent.
- The Township is comprised principally of residential areas. There is a stable business base that includes a major industrial operation, which may be impacted by free-trade agreements.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$937,118. The Township has appropriated approximately \$414,612 of this amount for spending in the 2005-06 fiscal year budget. Such appropriations are intended to finance various capital acquisitions and improvements.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Treasurer's Office, 1645 Mapleridge Road, Saginaw, Michigan 48604.

CARROLLTON TOWNSHIP**Statement of Net Assets****March 31, 2005**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 882,808	\$ 193,087	\$ 1,075,895
Investments	2,140,978	542,463	2,683,441
Receivables	339,902	341,136	681,038
Prepaid items and other assets	87,869	64,120	151,989
Inventory	-	54,551	54,551
Restricted cash and cash equivalents	51,357	25,931	77,288
Restricted investments	42,876	1,506,047	1,548,923
Nondepreciable capital assets	59,035	54,045	113,080
Depreciable capital assets, net	521,047	9,638,688	10,159,735
Total assets	4,125,872	12,420,068	16,545,940
Liabilities			
Accounts payable and accrued expenses	215,726	153,803	369,529
Noncurrent liabilities:			
Due within one year	9,915	342,646	352,561
Due in more than one year	90,972	5,504,779	5,595,751
Total liabilities	316,613	6,001,228	6,317,841
Net Assets			
Invested in capital assets, net of related debt	580,082	3,845,308	4,425,390
Restricted for:			
Debt service	-	68,632	68,632
Capital projects	-	1,463,346	1,463,346
Public safety programs	24,312	-	24,312
Public works activities	27,045	-	27,045
Unrestricted	3,177,820	1,041,554	4,219,374
Total net assets	\$ 3,809,259	\$ 6,418,840	\$ 10,228,099

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Activities
For the year ended March 31, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government:					
Code enforcement	\$ 58,564	\$ -	\$ -	\$ -	\$ (58,564)
Other general government	607,947	105,081	-	-	(502,866)
Public safety:					
Fire protection	126,823	18	-	-	(126,805)
Police protection	627,204	17,002	38,637	-	(571,565)
Building inspections	39,788	17,138	-	-	(22,650)
Public works:					
Highways and streets	120,475	-	-	-	(120,475)
Garbage and rubbish	267,106	280,534	-	-	13,428
Other public works	116,699	7,986	-	1,507	(107,206)
Parks and recreation:					
Parks	13,104	-	-	-	(13,104)
Recreation	25,929	25,535	-	-	(394)
Interest on long-term debt	3,433	-	-	-	(3,433)
Total governmental activities	<u>2,007,072</u>	<u>453,294</u>	<u>38,637</u>	<u>1,507</u>	<u>(1,513,634)</u>
Business-type activities:					
Sewer	820,419	838,227	-	957	18,765
Water	851,519	815,822	-	42,776	7,079
Total business-type activities	<u>1,671,938</u>	<u>1,654,049</u>	<u>-</u>	<u>43,733</u>	<u>25,844</u>
Total primary government	<u>\$ 3,679,010</u>	<u>\$ 2,107,343</u>	<u>\$ 38,637</u>	<u>\$ 45,240</u>	<u>\$ (1,487,790)</u>

continued...

	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,513,634)	\$ 25,844	\$ (1,487,790)
General revenues:			
Property taxes:			
Property taxes, levied for general purposes	77,279	-	77,279
Property taxes, levied for fire protection	188,556	-	188,556
Property taxes, levied for police protection	563,490	-	563,490
Property taxes, levied for the construction of water improvements	-	401,251	401,251
Payment in lieu of property taxes	672	-	672
Grants and contributions not restricted to specific programs	673,809	-	673,809
Unrestricted investment earnings	42,147	27,035	69,182
Miscellaneous	47,707	12,820	60,527
Total general revenues	1,593,660	441,106	2,034,766
Change in net assets	80,026	466,950	546,976
Net assets, beginning of year	3,729,233	5,951,890	9,681,123
Net assets, end of year	\$ 3,809,259	\$ 6,418,840	\$ 10,228,099

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP**Balance Sheet****Governmental Funds****March 31, 2005**

	General	Fire	Police
<u>ASSETS</u>			
Cash and cash equivalents	\$ 279,630	\$ 40,690	\$ 361,189
Investments	883,549	769,261	378,714
Taxes receivable - delinquent	40,333	15,117	45,178
Special assessments receivable	22,480	-	-
Accrued interest receivable	95	28	-
Accounts receivable	13,759	100	14,936
Due from other governmental units	91,120	-	-
Prepaid expenditures	39,408	13,401	34,381
HUD loans/grants receivable	69,296	-	-
Restricted assets - cash and cash equivalents	-	-	24,312
Restricted assets - investments	42,876	-	-
<u>TOTAL ASSETS</u>	\$ 1,482,546	\$ 838,597	\$ 858,710
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 50,860	\$ 1,479	\$ 14,991
Accrued payroll	3,745	-	3,735
Accrued liabilities	52,232	-	17,747
Due to other governmental units	31,598	-	-
Deferred revenue	91,776	-	-
TOTAL LIABILITIES	230,211	1,479	36,473
FUND EQUITY			
Fund balances:			
Reserved for debt service	47,159	-	-
Reserved for capital improvements	175,519	-	-
Reserved for budget stabilization	53,131	-	-
Reserved for grants and donations	-	-	24,312
Reserved for deposits held by others	-	-	-
Reserved for prepaid items	39,408	13,401	34,381
Unreserved, reported in:			
General Fund	522,506	-	-
Special Revenue Funds	-	715,921	330,390
Designated for subsequent years' expenditures:			
General Fund	414,612	-	-
Special Revenue Funds	-	107,796	433,154
TOTAL FUND EQUITY	1,252,335	837,118	822,237
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	\$ 1,482,546	\$ 838,597	\$ 858,710

The accompanying notes are an integral part of these financial statements.

Garbage/ Rubbish	Other Governmental Funds	Total Governmental Funds
\$ 181,247	\$ 20,052	\$ 882,808
74,696	34,758	2,140,978
27,360	-	127,988
-	-	22,480
-	-	123
-	100	28,895
-	-	91,120
-	679	87,869
-	-	69,296
27,045	-	51,357
-	-	42,876
<hr/>		
\$ 310,348	\$ 55,589	\$ 3,545,790
<hr/>		

\$ 34,320	\$ 3,523	\$ 105,173
-	943	8,423
-	553	70,532
-	-	31,598
-	-	91,776
<hr/>		
34,320	5,019	307,502
<hr/>		

-	-	47,159
-	-	175,519
-	-	53,131
-	-	24,312
27,045	-	27,045
-	679	87,869
-	-	522,506
217	28,798	1,075,326
-	-	414,612
248,766	21,093	810,809
<hr/>		
276,028	50,570	3,238,288
<hr/>		
\$ 310,348	\$ 55,589	\$ 3,545,790
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CARROLLTON TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
March 31, 2005

Fund balances - total governmental funds	\$ 3,238,288
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Certain assets, such as special assessments receivable, are not available in the current period and therefore are reported as deferred revenue in the funds.

Add - special assessments receivable deferred	22,480
Add - HUD loans receivable deferred	69,296

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	2,566,705
Deduct - accumulated depreciation	(1,986,623)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	<div style="border-top: 1px solid black; display: inline-block;">(100,887)</div>
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Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 3,809,259</div>
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The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2005

	General	Fire	Police
REVENUES			
Taxes and special assessments	\$ 125,251	\$ 188,556	\$ 563,490
Licenses and permits	59,192	-	-
Federal grants	-	-	31,996
State grants	673,809	-	4,372
Charges for services	10,377	-	-
Fines and forfeits	-	18	10,641
Interest on investments	17,392	9,452	8,211
Refunds and reimbursements	27,566	-	3,795
Other	8,377	-	16,767
TOTAL REVENUES	921,964	198,026	639,272
EXPENDITURES			
Current:			
General government	609,633	-	-
Public safety	-	101,178	606,437
Public works	92,076	-	-
Highways and streets	120,475	-	-
Garbage and rubbish	-	-	-
Parks and recreation	3,544	-	-
Capital outlay	119,492	2,740	36,731
Debt service:			
Principal	16,616	-	-
Interest and charges	3,433	-	-
TOTAL EXPENDITURES	965,269	103,918	643,168
REVENUES OVER (UNDER) EXPENDITURES	(43,305)	94,108	(3,896)
OTHER FINANCING SOURCES (USES)			
Proceeds of special assessment bonds	52,376	-	-
Transfers in	-	-	13,274
Transfers (out)	(30,550)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	21,826	-	13,274
NET CHANGE IN FUND BALANCES	(21,479)	94,108	9,378
FUND BALANCES, BEGINNING OF YEAR	1,273,814	743,010	812,859
FUND BALANCES, END OF YEAR	\$ 1,252,335	\$ 837,118	\$ 822,237

The accompanying notes are an integral part of these financial statements.

Garbage/ Rubbish	Other Governmental Funds	Total Governmental Funds
\$ 270,872	\$ -	\$ 1,148,169
-	17,138	76,330
-	-	31,996
-	-	678,181
-	25,535	35,912
-	2,132	12,791
2,263	783	38,101
-	-	31,361
9,328	1,809	36,281
282,463	47,397	2,089,122
-	-	609,633
-	39,800	747,415
-	-	92,076
-	-	120,475
267,106	-	267,106
-	25,926	29,470
-	9,331	168,294
-	-	16,616
-	-	3,433
267,106	75,057	2,054,518
15,357	(27,660)	34,604
-	-	52,376
-	17,276	30,550
-	-	(30,550)
-	17,276	52,376
15,357	(10,384)	86,980
260,671	60,954	3,151,308
\$ 276,028	\$ 50,570	\$ 3,238,288

CARROLLTON TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2005

Net change in fund balances - total governmental funds	\$ 86,980
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	168,294
Deduct - depreciation expense	(137,464)

Revenues in the statement of activities that do not provide current financial resources, such as collections on special assessments, are not reported as revenues in the funds.	(2,024)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	16,616
Deduct - bond proceeds	<u>(52,376)</u>

Change in net assets of governmental activities	<u><u>\$ 80,026</u></u>
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The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
General Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 124,869	\$ 127,098	\$ 125,251	\$ (1,847)
Licenses and permits	56,210	59,164	59,192	28
State grants	674,370	674,370	673,809	(561)
Charges for services	6,047	11,673	10,377	(1,296)
Interst on investments	6,100	12,823	17,392	4,569
Refunds and reimbursements	-	27,566	27,566	-
Other	750	4,693	8,377	3,684
TOTAL REVENUES	868,346	917,387	921,964	4,577
EXPENDITURES				
General government	600,345	695,008	609,633	(85,375)
Public works	122,460	111,123	92,076	(19,047)
Highways and streets	313,706	314,198	120,475	(193,723)
Parks	9,409	11,074	3,544	(7,530)
Capital outlay	121,600	121,605	119,492	(2,113)
Debt service - principal	11,280	9,117	16,616	7,499
Debt service - interest and charges	3,562	3,433	3,433	-
TOTAL EXPENDITURES	1,182,362	1,265,558	965,269	(300,289)
REVENUES OVER (UNDER) EXPENDITURES	(314,016)	(348,171)	(43,305)	304,866
OTHER FINANCING SOURCES (USES)				
Proceeds of special assessment bonds	-	-	52,376	52,376
Transfers (out)	(33,057)	(33,057)	(30,550)	2,507
TOTAL OTHER FINANCING SOURCES (USES)	(33,057)	(33,057)	21,826	54,883
NET CHANGE IN FUND BALANCE	(347,073)	(381,228)	(21,479)	359,749
FUND BALANCES, BEGINNING OF YEAR	1,273,814	1,273,814	1,273,814	-
FUND BALANCES, END OF YEAR	\$ 926,741	\$ 892,586	\$ 1,252,335	\$ 359,749

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Fire Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Current property taxes	\$ 187,765	\$ 187,765	\$ 188,394	\$ 629
Industrial facilities tax	162	162	162	-
Fines and forfeits	20	20	18	(2)
Interest on investments	6,880	6,880	9,452	2,572
TOTAL REVENUES	194,827	194,827	198,026	3,199
EXPENDITURES				
Public Safety:				
Salaries and wages	37,466	37,966	35,236	(2,730)
Employee benefits	5,943	5,984	5,552	(432)
Office supplies	1,200	1,200	607	(593)
Operating supplies	13,150	14,312	9,355	(4,957)
Uniforms	1,000	1,000	230	(770)
Audit	630	630	654	24
Legal services	600	600	-	(600)
Contracted services	120	120	148	28
Memberships and dues	1,350	1,350	867	(483)
Medical	1,800	1,800	732	(1,068)
Telephone	3,750	3,750	3,559	(191)
Travel	3,000	3,000	1,850	(1,150)
Hydrant rental	8,000	8,000	8,000	-
Gas and oil	600	600	1,187	587
Printing and publishing	500	500	-	(500)
Insurance	12,457	12,457	12,547	90
Water and sewer	1,750	1,750	2,663	913
Gas and electric	5,500	5,500	4,925	(575)
Computer services	1,248	1,248	1,224	(24)
Repairs and Maintenance	31,500	31,787	6,588	(25,199)
Education and training	3,700	3,700	2,525	(1,175)
Other	4,348	4,348	2,729	(1,619)
Capital outlay	20,000	21,784	2,740	(19,044)
TOTAL EXPENDITURES	159,612	163,386	103,918	(59,468)
NET CHANGE IN FUND BALANCE	35,215	31,441	94,108	62,667
FUND BALANCE, BEGINNING OF YEAR	743,010	743,010	743,010	-
FUND BALANCE, END OF YEAR	\$ 778,225	\$ 774,451	\$ 837,118	\$ 62,667

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Police Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 562,612	\$ 562,612	\$ 563,007	\$ 395
Industrial facilities tax	483	483	483	-
Federal grants	28,267	28,267	31,996	3,729
State grants	3,950	2,750	4,372	1,622
Fines and forfeits	10,000	12,040	10,641	(1,399)
Interest on investments	3,500	6,145	8,211	2,066
Refunds and reimbursements	3,500	3,500	3,795	295
Other	4,400	11,672	16,767	5,095
TOTAL REVENUES	616,712	627,469	639,272	11,803
EXPENDITURES				
Public Safety:				
Police Department				
Salaries and wages	338,419	347,352	346,041	(1,311)
Employee benefits	148,161	146,309	159,081	12,772
Supplies	12,500	14,500	15,165	665
Uniforms	4,000	4,000	3,377	(623)
Audit	1,197	1,197	1,245	48
Legal services	5,500	5,500	6,247	747
Memberships and dues	500	500	320	(180)
Medical	9,620	2,650	1,975	(675)
Telephone	6,300	7,225	7,387	162
Beeper service	500	500	90	(410)
Travel	2,000	2,000	1,968	(32)
Gas and oil	725	725	728	3
Printing and publishing	400	400	-	(400)
Insurance	20,392	20,392	18,209	(2,183)
Utilities	15,000	12,000	11,002	(998)
Repairs and maintenance	9,300	12,300	10,251	(2,049)
Computer services	902	3,251	3,329	78
Education and training	9,400	9,400	2,068	(7,332)
Other	4,330	2,134	2,074	(60)
Child Registry Program	2,650	4,800	2,606	(2,194)
Total Police Department	591,796	597,135	593,163	(3,972)

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Crossing Guard Department				
Salaries and wages	\$ 13,179	\$ 13,179	\$ 10,922	\$ (2,257)
Employee benefits	1,939	1,939	1,586	(353)
Supplies	550	750	703	(47)
Audit	63	63	63	-
Other	50	50	-	(50)
Total Crossing Guard Department	15,781	15,981	13,274	(2,707)
Total Public Safety	607,577	613,116	606,437	(6,679)
Capital outlay	63,500	32,963	36,731	3,768
TOTAL EXPENDITURES	671,077	646,079	643,168	(2,911)
REVENUES OVER (UNDER) EXPENDITURES	(54,365)	(18,610)	(3,896)	14,714
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	15,781	15,781	13,274	(2,507)
NET CHANGE IN FUND BALANCE	(38,584)	(2,829)	9,378	12,207
FUND BALANCE, BEGINNING OF YEAR	812,859	812,859	812,859	-
FUND BALANCE, END OF YEAR	\$ 774,275	\$ 810,030	\$ 822,237	\$ 12,207

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Garbage/Rubbish Fund
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUES				
Special assessment	\$ 271,346	\$ 271,346	\$ 270,872	\$ (474)
Interest on investments	2,500	2,500	2,263	(237)
Other	100	9,516	9,328	(188)
TOTAL REVENUES	273,946	283,362	282,463	(899)
EXPENDITURES				
Garbage and Rubbish:				
Audit	315	315	315	-
Contractual services	294,659	294,659	266,284	(28,375)
Other	2,575	2,575	507	(2,068)
TOTAL EXPENDITURES	297,549	297,549	267,106	(30,443)
NET CHANGE IN FUND BALANCE	(23,603)	(14,187)	15,357	29,544
FUND BALANCE, BEGINNING OF YEAR	260,671	260,671	260,671	-
FUND BALANCE, END OF YEAR	\$ 237,068	\$ 246,484	\$ 276,028	\$ 29,544

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Net Assets
Proprietary Funds
March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 18,333	\$ 174,754	\$ 193,087
Investments	300,076	242,387	542,463
Taxes receivable - delinquent	503	35,084	35,587
Special assessments	14,284	18,043	32,327
Accounts receivable	79,246	67,967	147,213
Due from other funds	-	1,125	1,125
Prepaid expenses	27,125	36,995	64,120
Inventory - supplies	9,496	45,055	54,551
TOTAL CURRENT ASSETS	449,063	621,410	1,070,473
OTHER ASSETS			
Due from NWUA	126,009	-	126,009
RESTRICTED ASSETS			
Cash and cash equivalents:			
Cash at County	-	3,412	3,412
Bond and interest	-	22,519	22,519
Investments:			
Evergreen project	33,292	-	33,292
Balsam Road project	-	9,409	9,409
Capital improvement	136,037	-	136,037
Construction projects	133,176	1,194,133	1,327,309
TOTAL RESTRICTED ASSETS	302,505	1,229,473	1,531,978
CAPITAL ASSETS			
Construction in progress	45,164	7,881	53,045
Property, plant and equipment	5,324,956	9,096,750	14,421,706
	5,370,120	9,104,631	14,474,751
Less accumulated depreciation	(2,562,629)	(2,219,389)	(4,782,018)
	2,807,491	6,885,242	9,692,733
<u>TOTAL ASSETS</u>	3,685,068	8,736,125	12,421,193

	Enterprise Funds		
	Sewer	Water	Total
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 55,316	\$ 23,435	\$ 78,751
Accrued payroll	548	803	1,351
Accrued interest payable	15,929	46,377	62,306
Customer advance deposits	4,725	6,670	11,395
Due to other funds	1,125	-	1,125
Current portion of long-term debt	120,246	222,400	342,646
TOTAL CURRENT LIABILITIES	197,889	299,685	497,574
LONG-TERM LIABILITIES			
Contracts payable	1,357,413	4,490,012	5,847,425
Less current portion	(120,246)	(222,400)	(342,646)
TOTAL LONG-TERM LIABILITIES	1,237,167	4,267,612	5,504,779
TOTAL LIABILITIES	1,435,056	4,567,297	6,002,353
NET ASSETS			
Investment in capital assets, net of related debt	1,450,078	2,395,230	3,845,308
Restricted for debt service	33,292	35,340	68,632
Restricted for system replacement/construction	269,213	1,194,133	1,463,346
Unrestricted	497,429	544,125	1,041,554
TOTAL NET ASSETS	\$ 2,250,012	\$ 4,168,828	\$ 6,418,840

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the year ended March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 819,662	\$ 795,287	\$ 1,614,949
Fines and fees	17,807	20,535	38,342
Refunds and reimbursements	758	-	758
Miscellaneous	-	12,820	12,820
TOTAL OPERATING REVENUES	838,227	828,642	1,666,869
OPERATING EXPENSES			
Salary and wages	61,538	81,600	143,138
Employee benefits	27,847	40,736	68,583
Postage	1,037	1,165	2,202
Operating supplies	7,756	12,892	20,648
Uniforms	762	762	1,524
Contracted services	9,972	17,176	27,148
Memberships and dues	-	863	863
Medical expenses	189	191	380
Telephone and communication	9,527	6,262	15,789
Travel	180	193	373
Insurance	26,707	31,562	58,269
Purchased water / sewer treatment	303,114	213,913	517,027
Gas and oil	1,592	1,948	3,540
Utilities	20,740	-	20,740
Repairs and maintenance	145,012	4,951	149,963
Education and training	15,378	15,715	31,093
Miscellaneous	1,598	4,927	6,525
Depreciation	141,539	229,300	370,839
TOTAL OPERATING EXPENSES	774,488	664,156	1,438,644
OPERATING INCOME (LOSS)	63,739	164,486	228,225
NON-OPERATING REVENUES (EXPENSES)			
Current property taxes	-	401,251	401,251
Interest income	10,431	18,912	29,343
Interest expense	(45,931)	(187,363)	(233,294)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(35,500)	232,800	197,300
INCOME BEFORE CONTRIBUTIONS	28,239	397,286	425,525
Contributions	-	41,425	41,425
CHANGE IN NET ASSETS	28,239	438,711	466,950
NET ASSETS, BEGINNING OF YEAR	2,221,773	3,730,117	5,951,890
NET ASSETS, END OF YEAR	\$ 2,250,012	\$ 4,168,828	\$ 6,418,840

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For the year ended March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 913,781	\$ 869,159	\$ 1,782,940
Cash payments to employees	(64,978)	(88,007)	(152,985)
Cash payments to suppliers for goods and services	(497,372)	(358,461)	(855,833)
Cash payments for interfund services	1,125	(1,125)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	352,556	421,566	774,122
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Current property taxes	-	401,251	401,251
Contributions from property owners	-	41,425	41,425
Acquisition and construction of capital assets	(107,032)	(175,208)	(282,240)
Principal paid on contracts payable	(104,218)	(217,200)	(321,418)
Interest paid on contracts payable	(45,931)	(187,363)	(233,294)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(257,181)	(137,095)	(394,276)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on operating funds	10,431	18,912	29,343
Purchase of investments	(107,475)	(226,958)	(334,433)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(97,044)	(208,046)	(305,090)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,669)	76,425	74,756
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,002	124,260	144,262
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,333	\$ 200,685	\$ 219,018

	Enterprise Funds		
	Sewer	Water	Total
OPERATING INCOME (LOSS)	\$ 63,739	\$ 164,486	\$ 228,225
Adjustments to reconcile operating income (loss) to net cash provided in operating activities:			
Depreciation	141,539	229,300	370,839
(Increase) decrease in assets:			
Taxes receivable - delinquent	268	5,970	6,238
Special assessments receivable	1,283	2,577	3,860
Accrued interest receivable	47	43	90
Accounts receivable	48,597	32,427	81,024
Due from other funds	-	(1,125)	(1,125)
Due from other governmental units	25,484	-	25,484
Prepaid expenses	63,262	631	63,893
Increase (decrease) in liabilities:			
Accounts payable	10,777	(5,836)	4,941
Accrued liabilities	(3,440)	(6,407)	(9,847)
Customer advance deposits	(125)	(500)	(625)
Due to other funds	1,125	-	1,125
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 352,556	\$ 421,566	\$ 774,122

NON-CASH TRANSACTION:

The Township's share of the NWUA contract payable in the Sewer Fund increased by \$14,558 during the year due to an increase in the Township's usage of the NWUA system. The percentage of usage is used to determine each participating units' share of the bond payable. Changes in the Township's share of the contract payable due to usage are adjusted against the cost of acquiring and constructing capital assets.

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2005

<u>ASSETS</u>	<u>Agency Funds</u>
Cash and cash equivalents	<u><u>\$ 5,082</u></u>
<u>LIABILITIES</u>	
Accounts payable	<u><u>\$ 5,082</u></u>

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Carrollton Township (the “Township”) has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes entities for which the Township is financially accountable. Therefore, the reporting entity consists only of the primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire fund* accounts for the separate voted millage and the related operation of the fire department.

The *police fund* accounts for the separate voted millage and the related operation of the police and crossing guard departments.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The *garbage/rubbish fund* accounts for the contractual services the Township has retained for garbage/trash removal.

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Township reports *agency funds*, which account for assets held for other governments in an agency capacity, including tax collections and other project funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets for the General and Special Revenue Funds are adopted, on a basis consistent with generally accepted accounting principles (GAAP), and are adopted on an activity level for each fund. The Township did amend its budget for the year ended March 31, 2005. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

ASSETS, LIABILITIES AND EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Inventories and prepaid items

Inventory maintained by the Enterprise Funds are valued at cost using the first-in, first-out method. Inventory of expendable supplies in other funds has not been recorded and any amount of any such inventory is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

In the General Fund and Sewer and Water Enterprise Funds, certain proceeds from installment contracts and bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets because their use is limited by applicable bond covenants or other agreements. Also, certain resources have been set aside to fund capital asset replacements.

In the Police Fund and Garbage/Rubbish Fund certain funds have been received with donor restrictions as to use.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Capital assets

Capital assets, which include property, plant, and equipment (the Township owns infrastructure assets such as water and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
System infrastructure	50
Vehicles	5
Equipment	3-10

Compensated absences

At the end of each year all employees are reimbursed for unused personal time. Employees are not allowed to accumulate vacation time from year to year.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2005, the Township incurred expenditures, which were in excess of the amounts appropriated in various activities as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>(Unfavorable) Variance</u>
GENERAL FUND			
Supervisor/Assessors Office	\$ 81,250	\$ 84,014	\$ (2,764)
Code Enforcement/Inspections	56,267	58,564	(2,297)
Debt Service	12,550	20,049	(7,499)
SPECIAL REVENUE FUNDS			
Police – Capital outlay	32,963	36,731	(3,768)

3. DEPOSITS AND INVESTMENTS

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Government-wide Financial Statement Captions:			
Cash and cash equivalents	\$ 1,075,895	\$ -	\$ 1,075,895
Investments	-	2,683,441	2,683,441
Restricted assets - cash and cash equivalents	77,288	-	77,288
Restricted assets - investments	-	1,548,923	1,548,923
Fiduciary Fund Financial Statement Captions:			
Cash and cash equivalents	<u>5,082</u>	<u>-</u>	<u>5,082</u>
	<u>\$ 1,158,265</u>	<u>\$ 4,232,364</u>	<u>\$ 5,390,629</u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Deposits

Deposits are carried at cost. Deposits of the Township are at various banks in the name of the Township Treasurer. The carrying amount of deposits at March 31, 2005, was \$1,158,265. The bank balance was as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 200,000
Uninsured, uncollateralized	<u>1,153,823</u>
	<u>\$ 1,353,823</u>

Investments

The Township is authorized by the Township Board to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at March 31, 2005. Risk Category 1 includes those investments that are insured or registered or held by the Township or the Township's agent in the Township's name. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Category</u>
Commercial Paper	\$ 510,000	\$ 510,000	3
Uncategorized:			
Governmental Short-Term Investment Fund	<u>3,722,364</u>	<u>3,722,364</u>	
Total Investments	<u>\$4,232,364</u>	<u>\$4,232,364</u>	

4. RECEIVABLES

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Receivables:		
Taxes	\$ 127,988	\$ 35,587
Special assessments:		
Due within one year	2,202	1,426
Due after one year	20,278	30,901
Interest	123	-
Accounts	98,191	147,213
Intergovernmental	<u>91,120</u>	<u>126,009</u>
 Total receivables	 <u>\$ 339,902</u>	 <u>\$ 341,136</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>
Long-term intergovernmental receivables:	
General fund	\$ 69,296
Special assessments not yet due	
General fund	<u>22,480</u>
Total deferred revenue for governmental funds	<u>\$ 91,776</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	\$ 59,035	\$ -	\$ -	\$ 59,035
Capital assets being depreciated:				
Buildings	805,830	44,178	-	850,008
Vehicles	785,003	29,069	-	814,072
Equipment	<u>748,543</u>	<u>95,047</u>	<u>-</u>	<u>843,590</u>
Total capital assets being depreciated	<u>2,339,376</u>	<u>168,294</u>	<u>-</u>	<u>2,507,670</u>
Less accumulated depreciation				
Buildings	(621,298)	(46,595)	-	(667,893)
Vehicles	(625,284)	(44,625)	-	(669,909)
Equipment	<u>(602,577)</u>	<u>(46,244)</u>	<u>-</u>	<u>(648,821)</u>
Total accumulated depreciation	<u>(1,849,159)</u>	<u>(137,464)</u>	<u>-</u>	<u>(1,986,623)</u>
Total capital assets being depreciated, net	<u>490,217</u>	<u>30,830</u>	<u>-</u>	<u>521,047</u>
Governmental activities capital assets, net	<u>\$ 549,252</u>	<u>\$ 30,830</u>	<u>\$ -</u>	<u>\$ 580,082</u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being				
Depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	<u>14,970</u>	<u>40,168</u>	<u>(2,093)</u>	<u>53,045</u>
Total capital assets not being depreciated	<u>15,970</u>	<u>40,168</u>	<u>(2,093)</u>	<u>54,045</u>
Capital assets being depreciated:				
Buildings and systems	13,716,595	202,697	-	13,919,292
Vehicles	152,950	-	-	152,950
Equipment	<u>306,996</u>	<u>41,468</u>	<u>-</u>	<u>348,464</u>
Total capital assets being depreciated	<u>14,176,541</u>	<u>244,165</u>	<u>-</u>	<u>14,420,706</u>
Less accumulated depreciation:				
Buildings and systems	(4,099,524)	(357,945)	-	(4,457,469)
Vehicles	(73,700)	(3,933)	-	(77,633)
Equipment	<u>(237,955)</u>	<u>(8,961)</u>	<u>-</u>	<u>(246,916)</u>
Total accumulated depreciation	<u>(4,411,179)</u>	<u>(370,839)</u>	<u>-</u>	<u>(4,782,018)</u>
Total capital assets being depreciated, net	<u>9,765,362</u>	<u>(126,674)</u>	<u>-</u>	<u>9,638,688</u>
Business-type activities capital assets, net	<u>\$ 9,781,332</u>	<u>\$ (86,506)</u>	<u>\$ (2,093)</u>	<u>\$ 9,692,733</u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 66,441
Public safety	46,400
Public works	<u>24,623</u>

Total depreciation expense – governmental activities \$ 137,464

Business-type activities:

Sewer	\$ 141,539
Water	<u>229,300</u>

Total depreciation expense – business-type activities \$ 370,839

6. PAYABLES

Accounts payable and accrued expenses as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities
Payables:		
Accounts	\$ 105,173	\$ 78,751
Payroll	8,423	1,351
Other liabilities	70,532	-
Interest	-	62,306
Advance	-	11,395
Intergovernmental	<u>31,598</u>	<u>-</u>
Total payables	<u><u>\$ 215,726</u></u>	<u><u>\$ 153,803</u></u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN

Plan Description

During the fiscal year, Carrollton Township transferred all of their participants in the Carrollton Township Retirement Plan to the Municipal Employees Retirement System of Michigan. This changed the Township's retirement plan from a defined contribution plan to a defined benefit plan.

The Township's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Township participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The Township is required to contribute at an actuarially determined rate; the current rate is 18.78% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Township are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Township, depending on the MERS contribution program adopted by the Township.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Annual Pension Cost

For the year ended March 31, 2005, the Township's annual pension cost of \$77,026 for MERS was equal to the Township's required and actual contributions. The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at November 1, 2004, the date of the initial actuarial valuation, was 30 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
3/31/05	\$ 77,026	100%	\$ 0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
11/1/2004	\$0	\$1,400,677	\$1,400,677	0%	\$716,051	196%

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT

Long-term obligations for the year ended March 31, 2005, were as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2005</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Installment Contracts					
Township vehicle – original issue of \$16,985 with an annual maturity of \$5,662 maturing through December 5, 2004, bearing interest of 0.0%	\$ 4,246	\$ -	\$ (4,246)	\$ -	\$ -
Special Assessment Bonds (with government obligation for any deficiency)					
Evergreen Lane Storm Sewer Drain Bond, original issue of \$85,231 with annual maturities of \$2,435 to \$4,870 maturing through October 1, 2016, bearing interest of 4.95% to 7.95%.	60,881	-	(4,870)	56,011	2,435
Carrollton/Zilwaukee Drain Bond, original issue of \$52,376 with annual maturities of \$7,480 to \$7,500 maturing through October 1, 2016, bearing interest of 5.16%.	<u>-</u>	<u>52,376</u>	<u>(7,500)</u>	<u>44,876</u>	<u>7,480</u>
Subtotal	<u>65,127</u>	<u>52,376</u>	<u>(16,616)</u>	<u>100,887</u>	<u>9,915</u>
BUSINESS-TYPE ACTIVITIES					
Contracts Payable - Saginaw County					
NWUA Project, original issue of \$1,366,407 with annual maturities of \$57,397 to \$107,387 maturing through May 2, 2016, bearing interest from 4.5% to 5.5%.	966,275	14,558 ¹	(60,430)	920,403	63,530

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2005</u>	<u>Due Within One Year</u>
Weiss Street CSO Project, original issue of \$69,380 with annual maturities of \$3,849 to \$5,246 maturing through September 1, 2012, bearing interest of 2%	\$ 43,709	\$ -	\$ (4,472)	\$ 39,237	\$ 4,580
Weiss Street In Line Detention, original issue of \$16,536 with maturities of \$688 to \$1,054 maturing through October 1, 2016, bearing interest of 2.25%	11,355	-	(817)	10,538	838
Evergreen Lane Sewer Improvement Drain Contract, original issue of \$61,585 with annual maturities of \$1,760 to \$3,519 maturing through October 1, 2016, bearing interest of 4.95% to 7.95%.	43,988	-	(3,519)	40,469	1,760
Michigan Drinking Water Revolving Fund Program, original issue of \$2,009,800, with annual maturities of \$85,000 to \$135,000 maturing through October 1, 2018, bearing interest of 2.5%	1,640,000	-	(90,000)	1,550,000	95,000
Watermain Improvements Phase II, original issue of \$1,275,000 with annual maturities of \$50,000 to \$100,000 maturing through June 1, 2019, bearing interest from 4.0% to 5.0%.	1,075,000	-	(50,000)	1,025,000	50,000
Watermain Improvements Phase III, original issue of \$2,145,000 with annual maturities of \$50,000 to \$170,000 maturing through June 1, 2020, bearing interest of 4.45% to 5.5%.	1,970,000	-	(75,000)	1,895,000	75,000
Balsam Street Water Line Extension - original issue of \$35,250 with annual maturities of \$1,900 to \$3,350 maturing through March 1, 2012, bearing interest of 6.55%.	22,212	-	(2,200)	20,012	2,400

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u> <u>April 1,</u> <u>2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>March 31,</u> <u>2005</u>	<u>Due Within</u> <u>One Year</u>
Rehabilitation Project for Tulane and Piper Sewer Pump Station Tributaries - original issue of \$495,380 with an annual maturity of \$49,538 maturing through May 1, 2011, bearing interest of 4.94%.	\$ 396,304	\$ -	\$ (49,538)	\$ 346,766	\$ 49,538
Subtotal	<u>6,168,843</u>	<u>14,558</u>	<u>(335,976)</u>	<u>5,847,425</u>	<u>342,646</u>
TOTAL LONG-TERM DEBT	<u>\$6,233,970</u>	<u>\$ 66,934</u>	<u>\$ (352,592)</u>	<u>\$ 5,948,312</u>	<u>\$ 352,561</u>

¹ The addition of the Township's share of the debt of \$14,558 is a result of changes in their share of the NWUA flow as described below.

The Township is a participant in the Northwest Utilities Authority pump station improvement program. This program and the defeasance of eligible bonds from the 1990 NWUA debt were financed by \$3,690,000 in general obligation bonds issued by Saginaw County. The Township has a contract with Saginaw County D.P.W. for the cost of the construction attributable to its 3 year average flow. Debt service share varies annually based upon this flow. For the year ended March 31, 2005, the Township's share of the flow was 30.99%. The contract principal portion owed by Carrollton Township has been recorded as a liability of the Sewer Fund. The assets related to this debt are recorded as assets of the Sewer Fund. Original prorata share of annual installments varies from \$57,397 to \$107,387 through May 1, 2016, with interest ranging from 4.5% to 5.5%.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The annual requirements to pay future principal and interest on the governmental installment contract and special assessment bonded debt are as follows:

<u>Year ending March 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 9,915	\$ 5,417
2007	12,350	4,841
2008	12,350	4,197
2009	12,350	3,548
2010	12,350	2,894
2011-15	31,831	6,811
2016-17	<u>9,741</u>	<u>579</u>
	<u>\$ 100,887</u>	<u>\$ 28,287</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 342,646	\$ 244,869
2007	346,162	230,419
2008	354,568	215,936
2009	381,425	200,919
2010	389,731	185,024
2011-15	2,026,327	669,728
2016-20	1,836,566	239,212
2021	<u>170,000</u>	<u>4,675</u>
	<u>\$5,847,425</u>	<u>\$1,990,782</u>

There are a number of limitations and restrictions contained in the bond indenture. The Township is in compliance with all significant limitations and restrictions.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of March 31, 2005, is as follows:

Due to/from other funds:	
	<u>Due From</u>
<u>Due to</u>	<u>Sewer</u>
	<u>Fund</u>
Water Fund	\$ <u>1,125</u>

The balances are a result of time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	<u>Transfer</u>
	<u>from</u>
	<u>General</u>
	<u>Fund</u>
Transfer to:	
Police fund	\$ 13,274
Nonmajor governmental funds	<u>17,276</u>
Total transfers out	\$ <u>30,550</u>

The interfund transfer from the General Fund to the Police Special Revenue Fund is for the purpose of subsidizing the crossing guard activity.

The interfund transfer from the General Fund to the Nonmajor Governmental Funds is for the purposes of subsidizing building inspections activity.

10. CONTINGENCIES AND COMMITMENTS

In the normal course of its activities, the Township is a party to various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the Township is of the opinion that the potential claims not covered by insurance will not have a material effect on the financial statements.

In addition, the Township has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

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CARROLLTON TOWNSHIP
Detail Schedule of Revenues - Budget and Actual
General Fund
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
TAXES				
Current property	\$ 78,371	\$ 79,110	\$ 77,500	\$ (1,610)
Special assessments	3,506	3,531	3,531	-
Industrial facility tax	503	503	451	(52)
Penalties and interest on taxes	2,500	2,500	2,309	(191)
Property tax administration fee	39,989	41,454	41,460	6
TOTAL TAXES	124,869	127,098	125,251	(1,847)
LICENSES AND PERMITS				
Business license	1,450	1,560	1,660	100
Cable TV franchise	54,740	55,508	54,720	(788)
Permits and fees	20	2,096	2,812	716
TOTAL LICENSES AND PERMITS	56,210	59,164	59,192	28
STATE GRANTS				
Sales tax	674,370	674,370	673,809	(561)
CHARGES FOR SERVICES				
Dog license fees	30	30	30	-
Weed cutting	2,100	7,536	7,986	450
Equipment rental	2,017	2,017	271	(1,746)
Election reimbursement	1,900	2,090	2,090	-
TOTAL CHARGES FOR SERVICES	6,047	11,673	10,377	(1,296)
INTEREST ON INVESTMENTS	6,100	12,823	17,392	4,569
REIMBURSEMENTS AND REFUNDS				
Summer state tax reimbursement	-	7,580	7,580	-
Refunds and rebates	-	19,986	19,986	-
TOTAL REIMBURSEMENTS AND REFUNDS	-	27,566	27,566	-
OTHER REVENUE				
Interest on tax collection	250	3,699	4,046	347
Other	500	994	4,331	3,337
TOTAL OTHER REVENUE	750	4,693	8,377	3,684
OTHER FINANCING SOURCES				
Proceeds of special assessment bonds	-	-	52,376	52,376
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 868,346	\$ 917,387	\$ 974,340	\$ 56,953

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual
General Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
GENERAL GOVERNMENT				
Township Board:				
Salaries and wages	\$ 24,228	\$ 24,228	\$ 25,156	\$ 928
Employee benefits	3,724	3,540	2,481	(1,059)
Uniforms	300	300	189	(111)
Memberships and dues	2,700	2,700	2,659	(41)
Travel	1,000	1,000	75	(925)
Education and training	2,000	2,000	733	(1,267)
	33,952	33,768	31,293	(2,475)
Supervisor/Assessors Office:				
Salaries and wages	47,634	54,223	61,047	6,824
Employee benefits	13,263	14,647	13,838	(809)
Supplies	1,800	1,800	933	(867)
Telephone	850	850	615	(235)
Contractual services	-	6,500	5,485	(1,015)
Memberships and dues	310	310	-	(310)
Travel	250	870	870	-
Printing and publishing	1,200	1,200	1,052	(148)
Education and training	800	800	174	(626)
Miscellaneous	50	50	-	(50)
	66,157	81,250	84,014	2,764
Elections:				
Salaries and wages	3,534	5,651	5,564	(87)
Employee benefits	797	824	317	(507)
Supplies	1,650	1,650	256	(1,394)
Software maintenance	750	750	250	(500)
Hall rental	150	225	225	-
Printing and publishing	700	700	635	(65)
Travel	210	210	53	(157)
Miscellaneous	590	643	282	(361)
	8,381	10,653	7,582	(3,071)
Clerk:				
Salaries and wages	67,846	70,208	66,132	(4,076)
Employee benefits	24,458	27,435	26,120	(1,315)
Supplies	700	950	854	(96)
Telephone	-	250	219	(31)
Contractual services	3,000	3,533	3,533	-
Membership and dues	375	375	352	(23)
Travel	2,800	2,800	628	(2,172)
Education and Training	2,500	2,500	587	(1,913)
Miscellaneous	50	50	-	(50)
	101,729	108,101	98,425	(9,676)
Board of Review:				
Salaries and wages	350	350	490	140
Employee benefits	29	29	38	9
Travel	25	25	-	(25)
Printing and publishing	200	200	64	(136)
Education and training	100	100	-	(100)
Miscellaneous	100	100	9	(91)
	804	804	601	(203)

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Continued)
General Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
GENERAL GOVERNMENT (CONTINUED)				
Treasurer:				
Salaries and wages	\$ 59,462	\$ 61,189	\$ 57,339	\$ (3,850)
Employee benefits	23,685	27,717	25,162	(2,555)
Supplies	10,500	10,500	9,184	(1,316)
Telephone	850	850	613	(237)
Memberships and dues	190	190	110	(80)
Travel	1,300	1,300	674	(626)
Education and training	3,500	3,500	590	(2,910)
Delinquent tax charge-backs	5,500	5,500	2,766	(2,734)
Miscellaneous	730	1,130	1,430	300
	105,717	111,876	97,868	(14,008)
Building and Grounds:				
Salaries and wages	17,840	21,598	23,503	1,905
Employee benefits	7,129	7,853	8,515	662
Supplies	10,000	10,000	8,804	(1,196)
Telephone	5,945	5,945	6,093	148
Contractual services	820	820	-	(820)
Water and sewer	640	640	532	(108)
Gas and electric	16,000	16,000	14,960	(1,040)
Repairs and maintenance	69,200	69,200	21,452	(47,748)
Miscellaneous	30	30	29	(1)
	127,604	132,086	83,888	(48,198)
Other General Government Expenditures:				
Postage	10,872	10,872	9,424	(1,448)
Supplies	8,500	18,818	13,460	(5,358)
Computer maintenance	-	-	28,227	28,227
Audit	4,158	5,878	5,563	(315)
Legal	20,000	20,000	6,662	(13,338)
Contracted services	2,000	2,000	1,985	(15)
Memberships and dues	200	880	819	(61)
Travel	1,300	1,300	195	(1,105)
Printing and publishing	3,500	3,500	2,463	(1,037)
General insurance	34,056	34,056	33,406	(650)
Repair and maintenance	2,500	4,792	4,309	(483)
Education and training	8,500	38,881	27,527	(11,354)
Miscellaneous	420	870	637	(233)
	96,006	141,847	134,677	(7,170)
Code Enforcement/Inspections:				
Salaries and wages	31,623	28,040	26,999	(1,041)
Employee benefits	9,297	9,836	8,922	(914)
Supplies	800	800	689	(111)
Uniforms	150	150	-	(150)
Legal	1,400	4,800	3,934	(866)
Contracted services	-	11,272	16,560	5,288
Travel	75	169	168	(1)
Repairs and maintenance	650	700	647	(53)
Education and training	200	200	-	(200)
Miscellaneous	250	300	645	345
	44,445	56,267	58,564	2,297

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Continued)
General Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
GENERAL GOVERNMENT (CONTINUED)				
Planning Commission:				
Salaries and wages	\$ 7,864	\$ 7,864	\$ 6,305	\$ (1,559)
Employee benefits	1,771	2,555	2,046	(509)
Supplies	1,120	1,270	783	(487)
Legal	300	1,400	415	(985)
Membership and dues	800	800	505	(295)
Travel	200	200	23	(177)
Printing and publishing	1,500	1,500	1,296	(204)
Education and training	1,000	1,000	-	(1,000)
Miscellaneous	50	50	-	(50)
	14,605	16,639	11,373	(5,266)
Board of Appeals:				
Salaries	185	625	625	-
Employee benefits	10	86	42	(44)
Supplies	-	256	256	-
Memberships and dues	500	500	405	(95)
Printing and publishing	200	200	20	(180)
Miscellaneous	50	50	-	(50)
	945	1,717	1,348	(369)
TOTAL GENERAL GOVERNMENT	600,345	695,008	609,633	(85,375)
DEPARTMENT OF PUBLIC WORKS				
Salaries and wages	68,888	56,704	53,336	(3,368)
Employee benefits	28,437	28,869	27,591	(1,278)
Supplies	6,585	7,000	4,445	(2,555)
Telephone	3,500	3,500	1,630	(1,870)
Uniforms	1,200	1,200	762	(438)
Gas/oil	1,900	1,900	1,871	(29)
Repairs and maintenance	10,500	10,500	2,028	(8,472)
Travel	500	500	173	(327)
Education and training	800	800	212	(588)
Miscellaneous	150	150	28	(122)
TOTAL DEPARTMENT OF PUBLIC WORKS	122,460	111,123	92,076	(19,047)
HIGHWAYS AND STREETS				
Roads	218,897	218,897	19,970	(198,927)
Drains-at-large	21,935	22,427	64,403	41,976
Street lighting	72,874	72,874	36,102	(36,772)
TOTAL HIGHWAYS AND STREETS	313,706	314,198	120,475	(193,723)

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Concluded)
General Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
PARKS				
Salaries and wages	\$ 2,303	\$ 2,204	\$ 2,073	\$ (131)
Employee benefits	956	1,077	1,001	(76)
Supplies	150	150	-	(150)
Repairs and maintenance	6,000	6,000	467	(5,533)
Community projects	-	1,643	3	(1,640)
TOTAL PARKS	9,409	11,074	3,544	(7,530)
CAPITAL OUTLAY	121,600	121,605	119,492	(2,113)
DEBT SERVICE				
Principal	11,280	9,117	16,616	7,499
Interest and charges	3,562	3,433	3,433	-
TOTAL DEBT SERVICE	14,842	12,550	20,049	7,499
OTHER FINANCING USES				
Transfers (out):				
Police Fund	15,781	15,781	13,274	(2,507)
Building Inspection Department Fund	17,276	17,276	17,276	-
TOTAL OTHER FINANCING USES	33,057	33,057	30,550	(2,507)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 1,215,419	\$ 1,298,615	\$ 995,819	\$ (302,796)

CARROLLTON TOWNSHIP
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Building Inspection</u>	<u>Special Investigative</u>	<u>Recreation</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,680	\$ 2,442	\$ 930	\$ 20,052
Investments	-	25,014	9,744	34,758
Accounts receivable	-	-	100	100
Prepaid expenditures	529	-	150	679
<u>TOTAL ASSETS</u>	\$ 17,209	\$ 27,456	\$ 10,924	\$ 55,589
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 2,604	\$ -	\$ 919	\$ 3,523
Accrued payroll	80	-	863	943
Accrued liabilities	553	-	-	553
TOTAL LIABILITIES	3,237	-	1,782	5,019
FUND BALANCES				
Reserved for prepaid items	529	-	150	679
Unreserved:				
Designated for subsequent years' expenditures	10,419	4,750	5,924	21,093
Undesignated	3,024	22,706	3,068	28,798
TOTAL FUND BALANCES	13,972	27,456	9,142	50,570
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 17,209	\$ 27,456	\$ 10,924	\$ 55,589

CARROLLTON TOWNSHIP
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended March 31, 2005

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection	Special Investigative	Recreation	
REVENUES				
Licenses and permits	\$ 17,138	\$ -	\$ -	\$ 17,138
Charges for services	-	-	25,535	25,535
Fines and forfeits	-	2,132	-	2,132
Interest on investments	139	422	222	783
Other	1,576	-	233	1,809
TOTAL REVENUES	18,853	2,554	25,990	47,397
EXPENDITURES				
Public safety	39,788	12	-	39,800
Recreation	-	-	25,926	25,926
Capital outlay	-	1,773	7,558	9,331
TOTAL EXPENDITURES	39,788	1,785	33,484	75,057
REVENUES OVER (UNDER) EXPENDITURES	(20,935)	769	(7,494)	(27,660)
OTHER FINANCING SOURCES				
Transfers in	17,276	-	-	17,276
NET CHANGE IN FUND BALANCES	(3,659)	769	(7,494)	(10,384)
FUND BALANCES, BEGINNING OF YEAR	17,631	26,687	16,636	60,954
FUND BALANCES, END OF YEAR	\$ 13,972	\$ 27,456	\$ 9,142	\$ 50,570

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Building Inspection Fund
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUES				
Permits	\$ 16,000	\$ 17,100	\$ 17,138	\$ 38
Interest on investments	50	50	139	89
Other	-	1,576	1,576	-
TOTAL REVENUES	16,050	18,726	18,853	127
EXPENDITURES				
Public Safety:				
Salaries and wages	34,995	32,533	28,490	(4,043)
Employee benefits	7,528	8,304	6,548	(1,756)
Legal	1,200	1,200	1,935	735
Supplies	600	600	357	(243)
Contractual services	-	2,000	2,458	458
Travel	100	100	-	(100)
Printing and publishing	100	100	-	(100)
Education and training	300	300	-	(300)
Other	50	50	-	(50)
TOTAL EXPENDITURES	44,873	45,187	39,788	(5,399)
REVENUES OVER (UNDER) EXPENDITURES	(28,823)	(26,461)	(20,935)	5,526
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	17,261	17,261	17,276	15
NET CHANGE IN FUND BALANCE	(11,562)	(9,200)	(3,659)	5,541
FUND BALANCE, BEGINNING OF YEAR	17,631	17,631	17,631	-
FUND BALANCE, END OF YEAR	\$ 6,069	\$ 8,431	\$ 13,972	\$ 5,541

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Special Investigative Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual	Actual Over (Under) Final Budget
	Original	Final			
REVENUES					
Fines and forfeits	\$ 500	\$ 2,132	\$ 2,132	\$ -	
Interest on investments	35	135	422	287	
TOTAL REVENUES	535	2,267	2,554	287	
EXPENDITURES					
Public Safety:					
Supplies	20	20	-	(20)	
Legal	500	500	12	(488)	
Other	300	300	-	(300)	
Capital outlay	-	1,859	1,773	(86)	
TOTAL EXPENDITURES	820	2,679	1,785	(894)	
NET CHANGE IN FUND BALANCE	(285)	(412)	769	1,181	
FUND BALANCE, BEGINNING OF YEAR	26,687	26,687	26,687	-	
FUND BALANCE, END OF YEAR	\$ 26,402	\$ 26,275	\$ 27,456	\$ 1,181	

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Recreation Fund
For the year ended March 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 19,195	\$ 24,671	\$ 25,535	\$ 864
Interest on investments	100	100	222	122
Other	-	145	233	88
TOTAL REVENUES	19,295	24,916	25,990	1,074
EXPENDITURES				
Recreation:				
Salary and wages	3,890	3,550	3,487	(63)
Employee benefits	450	508	398	(110)
Supplies	11,050	16,739	21,115	4,376
Community projects	100	100	191	91
Other	420	520	735	215
Capital outlay	-	16,800	7,558	(9,242)
TOTAL EXPENDITURES	15,910	38,217	33,484	(4,733)
NET CHANGE IN FUND BALANCE	3,385	(13,301)	(7,494)	5,807
FUND BALANCE, BEGINNING OF YEAR	16,636	16,636	16,636	-
FUND BALANCE, END OF YEAR	\$ 20,021	\$ 3,335	\$ 9,142	\$ 5,807

CARROLLTON TOWNSHIP
Combining Statement of Fiduciary Net Assets
Agency Funds
March 31, 2005

	Tax		Trust and	
	Collection		Agency	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$	8	\$ 5,074	\$ 5,082
<u>LIABILITIES</u>				
Accounts payable	\$	8	\$ 5,074	\$ 5,082



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

September 8, 2005

To the Township Board
Carrollton Township
Saginaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Carrollton Township***, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ***Carrollton Township's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Carrollton Township's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Carrollton Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

September 8, 2005

To the Township Board
Carrollton Township
Saginaw, Michigan 48604

In planning and performing our audit of the basic financial statements of ***Carrollton Township, Michigan***, for the year ended March 31, 2005, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 8, 2005, on the financial statements of ***Carrollton Township, Michigan***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank the management and personnel for their support and assistance during our audit of ***Carrollton Township, Michigan***, for the year ended March 31, 2005.

CARROLLTON TOWNSHIP, MICHIGAN

COMMENTS AND RECOMMENDATIONS

MARCH 31, 2005

A. Time Clocks

The Township currently has two different areas with time clocks where an employee can punch in and out. We recommend that the Township condense the two time clocks and begin using only one located in an area easily accessible for every employee.

During our procedures, we also observed that there are time cards with hand written start and end hours and there is no explanation for why the cards were not punched in the time clock. We recommend that the time clock policy be reviewed with employees to emphasize that each employee must punch their own time card in the time clock at the start and end of each work day and lunch break.

B. Purchases Under Bid Policy

During our procedures, we noted that the Township has had purchases that are subject to the Township bid policy occur without the policy being followed. We recommend that the Township Board review the purchasing policies of the Township with management and require that all purchases occur in accordance with the established policies.

C. Potential Unlawful Expenditure

The Township Public Works Department continues to have purchases that do not appear to have a benefit to the Township and its residents. For instance, calendars were purchased in a limited quantity but did not have an identified purpose. They were not made available to the general public and they were not part of the normal office supplies that would be used by employees. Because there appears to be no benefit to the Township, the expenditure would be considered unlawful. We recommend that the Township Board and management review the unlawful expenditures identified by Michigan Department of Treasury and carefully apply these guidelines to all purchases.

D. Inventory Method

The inventory method established by the Township is that inventory should be recorded using the FIFO method. This method states that the oldest inventory is to be used first. The price used to value the inventory should reflect the last purchase price of each piece. This method gives a more current value of inventory. During our audit we noted that the Township is not using this method and is valuing their inventory at a purchase price from prior years even though inventory has been removed and added. We also noted that much of the inventory of the sewer and water funds was determined to be obsolete and having no potential use for either of these operations. We recommend that the Township record the value of inventory using the

CARROLLTON TOWNSHIP, MICHIGAN

COMMENTS AND RECOMMENDATIONS

MARCH 31, 2005

FIFO method. We also recommend that the Township assess what inventory items are of no potential value to the sewer and water operations and dispose of it in a manner that will result in the best available benefit to the Township.

E. Recreation Program Activities

During the audit, additional audit procedures were performed in relation to the activities of the Township Recreation program. As a part those procedures, the policies and procedures related to the activity of the Recreation program were reviewed and a few weaknesses in the internal controls were identified.

1. There is no method of tracking concession supplies used during an event. This information would be useful in predicting concession sales and supply needs for future recreation events. We recommend that the Township establish a policy that requires regular inventory counts of concession supplies that will allow the concession sales to be matched to the inventory used at each event. This will strengthen the controls over the inventory itself and the concession sales turned in to the Township Office.
2. The fund raising program held during the year (candy bar sale) did not have a method of tracking the sales of the candy bars in a manner that would allow the total sales to be reconciled to the revenue generated and subsequent tracking of the unsold inventory. The final reconciliation that was done on the fund raiser from the information that was available indicated that there were either funds lost or candy bars missing but because the information was incomplete it is not possible to make a conclusion.

F. Utility Account Receivable

During the audit, we usually obtain a report that shows the status of the each utility customer account by each billing component (i.e. ready-to-serve, water usage, etc) as of the end of the year, which provides the supporting documentation for the outstanding receivables from these customers as of March 31. This information has not been available for the year end audit for several years now. For the last month of the fiscal year and several months during the fiscal year, this report was not obtained and cannot be retrieved once the month end has passed. We recommend that this report be printed each month to provide the supporting documentation for the outstanding receivables which can be reconciled to the general ledger as a part of the internal control procedures.

CARROLLTON TOWNSHIP, MICHIGAN

COMMENTS AND RECOMMENDATIONS

MARCH 31, 2005

G. Utility Account Collections

The Board has authorized the DPW Superintendent to make payment arrangements on utility accounts with delinquent balances. These payment arrangements are not communicated to the Treasurer's office on a regular basis with appropriate documentation, which does not provide the individuals with receipt responsibilities to verify that payments made are in accordance with this agreement. We recommend that a procedure be implemented to provide the Treasurer's office with written payment arrangements that have been approved by the Board's designee.

H. Disbursements

Our review of various disbursements and the documentation supporting those disbursements revealed that not all documentation was sufficient to support the allocation or allowability of the disbursements. We recommend that the Township require that disbursements be made from complete, original invoices rather than photocopies or incomplete documents that do not include all pages of the invoice. The payment from only original invoices reduces the potential to pay a vendor twice and increases the documentation to support the allocation of costs and allowability of the disbursements.

I. Expenditure/Expense Allocations

During our procedures, we noted that there were many charges for purchases that were not properly allocated by the department head when invoices were submitted for payment. We noted in particular, that the Department of Public Services frequently had corrections made to the allocations in order to ensure that the charges were applied to the appropriate department receiving the service or item. For example, the Township purchases diesel fuel in bulk, which is used by multiple departments but the initial allocation was to charge all diesel fuel purchases to the Sewer operations. We recommend that the Township provide training on the expenditures/expense accounts that includes defining when and how to allocate bills and matching the expenditure/expense to the proper account.